

**MINUTES OF THE CHESHIRE TOWN COUNCIL AUDIT COMMITTEE MEETING
HELD ON WEDNESDAY, FEBRUARY 11, 2015, AT 6:00 P.M. IN ROOM 210, TOWN
HALL, 84 SOUTH MAIN STREET, CHESHIRE CT 06410.**

Present

Patti Flynn-Harris, Chairperson, and David Schrumm. Absent - Robert J. Oris.
Staff: James Jaskot, Finance Director and Gina DeFilio, Deputy Finance Director;
Vincent Masciana, Director of Management Services, Dept. of Education
Guest: Scott Bassett, McGladrey LLP.

1. ROLL CALL

Mr. Flynn-Harris called the meeting to order at 6:02 p.m.

The Clerk called the roll and a quorum was determined to be present.

2. PLEDGE OF ALLEGIANCE

The group Pledged Allegiance to the Flag.

**3. ACCEPTANCE OF FY 13-14 COMPREHENSIVE ANNUAL FINANCIAL
REPORT/AUDIT.**

Ms. Flynn-Harris thanked Mr. Bassett for attending the meeting and reviewing the CAFR with the committee.

Mr. Bassett stated that the report is clean and unmodified; an audit of federal standards was done; there was testing of the transactions, and the town informed of any weaknesses with internal controls. There were no audit adjustments, and information to make decisions is accurate. The Town, Board of Education, and all departments were fully cooperative with McGladrey staff; all needed information was obtained; and 700 man hours were worked by McGladrey staff for the audit. There is a major re-engineering of standards, GASB 67. Net pension liability is a new disclosure in the footnotes. Next year, GASB 68 moves its way into the government financial statements.

There were "smoothing" measurements for the funding of the pensions. Mr. Jaskot said all governments will have to use the same method for funding pensions.

Page 13 - Statement of Net Position - takes assets and measures against liabilities; Cheshire's total net position is \$124,370,044.

Page 14 - Statement of Activities - Functions/Programs \$117,795,624 total primary government; small loss of \$980,712; Net position/ending of \$124,370,044.

Page 15 - Balance Sheet Government Funds - Operating Fund of the Town. Total fund balance, \$12.2 million; 8.4% of General Fund expenditures; and this is where Cheshire wants to be with the percentage.

Mr. Jaskot commented on the focus on budgetary financial statements throughout the year, including the pool fund.

Page 17 - Statement of Revenues, Expenditures and Changes in Fund Balances Government Funds. There is a slight decrease in fund balance to \$12.1 million from \$12.3 million; some refunding bonds reissued; money from refunding is in an escrow account until bonds are paid off. The General Fund is in a good position.

Pages 20 and 21 - Internal Service Funds. Proprietary Funds - this fund is self insured; five year trends are looked at and checked; all is based on claims experience.

Ms. Flynn-Harris stated that the Town is talking about getting the most recent update on the medical benefits funds.

Page 23 - Fiduciary Funds - types of investments. Retirement Board has committed to private placement as the latest focus; last year one alternative investment did very well; details on the investments will be provided to the Town Council.

Notes to Financial Statement - same as last year.

Page 41/Note 6 - 2014 Obligation Bonds.

Pages 43 to 45/Note 7 - based on valuation July 1, 2012, 7.5% assessment used; \$2.8 million under funding of required contributions to plans since 1986.

Page 47/Note 7 - new disclosure starts with GASB 67; Net Pension Liability of the Town (GASB 67 new standard) is \$30 million; next year \$30 million will be taken out of the \$124 million (Net Position ending) for liability bringing it down to \$94 million; this is the impact of the new standards.

Cheshire has made and continues to make contributions. In 3 or 4 years, GASB will be doing the same for other post employment benefits; all liabilities and assets must be on the statements.

Mr. Jaskot noted that the pensions are about 70% funded; OPEB are about 1/3 of the total pension liabilities; rating agencies focused on the Town making its actuarial contributions. Actuaries are working on the June 30, 2014 valuation.

Pages 52 to 54/Note 8 - Cheshire is okay at 7.5% rate; Cheshire had 99.78% tax collection rate which is excellent; rating agencies look at the fund balance policy and other funding policies.

Mr. Bassett stated Cheshire is in good financial health and this remains strong. The Town has good management, budgetary controls, and departments work well together for the benefit of the Town.

Encumbrances - control deficiencies were identified during the audit.

- Several instances were observed where an invoice was received before a purchase order was issued. It was recommended that purchase orders be completed prior to receiving invoices.

1. Several departments do not have adequate segregation of duties over cash receipts. Recommendation - the Town implements policies and procedures to maintain adequate segregation of duties from collection and deposit preparation from cash receipts.

These issues were brought to the attention of management and controls will be in place.

The committee noted that several Town departments -- Police, Library, Arts Place, Parks and Recreation, Animal Control - bring in cash, and some departments use credit cards for payment. Mr. Jaskot said the minor deficiencies in controls can be addressed through the Finance Department.

The CAFR has been filed with the State and GFOA.

Ms. Flynn-Harris thanked Mr. Bassett and McGladrey staff for their work on the audit and their cooperation and accommodations with Town staff.

Mr. Bassett informed the committee and staff that GASB wants municipalities focusing more on OPEB and pension plans, and the 7.5% rate is appropriate for Cheshire. He explained that commercial clients have to use the new mortality tables in their calculations, and it is expected municipalities will have to use these tables in the future.

With regard to OPEB and the number of \$17 million for the BOE, Mr. Masciana stated retired teachers can be on the BOE plan until age 65 when Medicare comes into place. He advised that these retired teachers pay the full medical benefits premium, with increases each year, and have the highest claims experience.

5. ADJOURNMENT

MOTION by Mr. Schrumm; seconded by Ms. Flynn-Harris.

MOVED to adjourn the meeting at 7:00 p.m.

VOTE The motion passed unanimously by those present.

Attest:

Marilyn W. Milton, Clerk